
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
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To: Mike Smith, Assistant Director, State Budget Agency

From: Jeffrey A. Volz, Director of Operations

Date: June 4, 2009

Re: Fiscal Impact Analysis for LSA Doc. # 09-258

Copy: Christopher Atkins, General Counsel, OMB

Pursuant to Executive Order 2-89 and Financial Management Circular 2006-01, the Department of Local Government Finance ("Department") submits the following fiscal impact analysis and requests approval of the attached proposed rule which repeals 50 IAC 23. The rule will become effective 30 days from the date that the rule is accepted for filing under Indiana Code 4-22-2-35.

Substance of Rule

The proposed rule repeals 50 IAC 23 governing software standards for a uniform statewide property tax management system, replacing the old standards with refreshed versions, designed to capture property tax data elements that the Legislative Services Agency ("LSA") and the Department need while not requiring information of little value. In addition, the proposed rule makes numerous clarifications and corrections to the data standards as written in 50 IAC 23. Also, the proposed rule incorporates additional data checks that have been deemed valuable by the Department in determining the quality of a county's property tax data.

Estimated Fiscal Impact

The Department estimates that the proposed rule will have minor fiscal impact on State government. The adoption of this rule will require that software certification tests be adjusted and software vendors retested under the new data standards. In order to accomplish this, the Department will likely need to contract with a consulting firm (we have utilized Crowe Horwath, LLP in the past), and we expect these costs not to exceed \$110,000.

The impact to local governments is less clear – there would be no direct costs, but if this rule causes software vendors to reprogram their applications to achieve compliance with the directive, they would certainly incur some costs and may pass them along to the county governments. At this time, given that the Department does not know how each vendor would deal with the expected increased development costs, we have no way to estimate the fiscal impact to the local governments.

Sources of Revenue, Appropriations, Distributions, or Expenditures

If the proposed rule is accepted, the Department plans to fund the expenditures necessary for a contractor to retest all software vendors out of our general fund appropriation for contractual services. Our fiscal 2010 expenditure estimates have been prepared in anticipation of this need.

Assumptions Used In Calculation

For purposes of calculating the impact on State government, we reviewed the actual contracting costs incurred with Crowe Horwath in managing preparation of software certification testing under 50 IAC 23, including writing the tests, coordinating testing times with prospective vendors, and preparing comprehensive reports for the Department. Much of the work that was done to perform testing against 50 IAC 23 would not have to be redone as a result of the proposed rule; we expect to need a contractor to update the certification testing scenarios, coordinate testing schedules with the vendors, and prepare comprehensive reports to the Department. As such, our assumption of fiscal impact to state government is based upon the costs incurred during the period from July 2008 – December 2008, during which time the primary activities that Crowe Horwath performed were certification testing and administration of vendor software programs.